GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:298
ANSWERED ON:10.03.2006
FDI IN INSURANCE AND BANKING SECTORS
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Will the Minister of FINANCE be pleased to state:

(a) whether foreign direct investment has beneficial effects on insurance and banking sectors in India;

(b) if so, the details thereof;

(c) if not, the reasons therefor:

(d) whether the foreign investors are interested only in gaining control over India`s domestic savings;

(e) if so, the details thereof; and

(f) the steps taken to save the domestic banking and insurance sectors?

Answer

THE MINISTER OF FINANCE {SHRI P. CHIDAMBARAM) :

(a) to (c) Yes, Sir. Foreign Direct Investment (FDI) has helped the banking sector in achieving greater financial stability, better capitalization, wider diversification, improved corporate governance and managing uncertainty & controlling risks. FDI has brought additional capital besides other beneficial effects for the insurance sector in the shape of increased coverage, new products, awareness and improvement in services to consumers.

(d) No, Sir.

(e) Does not arise.

(f) All the banking and insurance companies are regulated by Reserve Bank of India (RBI) and Insurance Regulatory and Development Authority (1RDA) respectively under various banking and insurance laws and regulations.